

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**CASE NO. 15202
ORDER NO. R-13918**

**APPLICATION OF COG OPERATING, LLC FOR APPROVAL OF SURFACE
LEASE COMMINGLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 18, 2014, before Examiner Richard I. Ezeanyim.

NOW, on this 24th day of October, 2014, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Case Nos. 15202 and 15203 were consolidated at the hearing for the purpose of testimony; however, separate orders should be issued for each case.

(3) In Case No. 15202, the applicant, COG Operating, LLC ("Applicant" or "Operator"), seeks authority to surface lease commingle oil and gas production from the Yeso formation, the Penasco Draw-San Andres-Yeso Pool (**Pool Code 50270**) and from the following leases and wells.

<u>Name</u>	<u>API No.</u>	<u>Surface Location</u>	<u>ULSTR</u>
Clydesdale 1 Fee Well No. 1H	30-015-40214	380' FNL & 150' FEL	A-1-19S-25E
Clydesdale 1 Fee Well No. 2H	30-015-39783	1040' FNL & 150' FEL	A-1-19S-25E
Clydesdale 1 Fee Well No. 3H	30-015-40123	1700' FNL & 150' FEL	H-1-19S-225E
Clydesdale 1 Fee Well No. 4H	30-015-40131	2260' FNL & 150' FEL	H-1-19S-25E

(4) The Applicant appeared at the hearing through counsel and presented the following testimony.

- (a) By administrative application dated June 2, 2014, COG sought Division approval of lease commingling of the oil and gas production from its Clydesdale wells. The leases from which COG seeks to commingle production are of diverse ownership. Accordingly, COG provided notice of this application to all the interest owners in the leases.
- (b) After providing notice, certain interest owners in the leases objected to the granting of the administrative application. COG contacted the objecting parties, but was unable to resolve their concerns. This application was therefore referred to the hearing process.
- (c) The proposed commingling of production is intended to reduce operating expenses and therefore result in an increased economic life of each well.
- (d) There will be no reduction in the value of the oil and gas production as a result of the surface commingling. COG requests that oil and gas production be allocated back to each well on the basis of monthly well tests.
- (e) The Clydesdale Well No. 1H and Clydesdale Well No. 2H have common ownership; the Clydesdale Well No. 3H and Clydesdale Well No. 4H have common ownership, but a diversity of ownership between the project areas.
- (5) No other party appeared at the hearing to oppose the granting of this application.

The Division concludes as follows:

- (6) The evidence presented by the applicant indicates that the units in the Clydesdale leases are marginal, and the wells, which were drilled in 2013 and 2014, are producing below the unit allowable. Applicant should be allowed to produce oil and gas from the wells with common ownership into one unique test separator, but conduct metering prior to commingling into the tank battery.
- (7) Approval of the proposed surface commingling will allow the Applicant to recover additional oil and gas reserves from these wells that may otherwise not be recovered, thereby preventing waste, will benefit the interest owners in these wells, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

- (1) The applicant, COG Operating, LLC ("Applicant" or "Operator"), is hereby authorized to surface lease commingle oil and gas production from the Yeso

formation, the Penasco Draw-San Andres-Yeso Pool (Pool Code 50270) and from the following leases and wells.

Name	API No.	Surface Location	ULSTR
Clydesdale 1 Fee Well No. 1H	30-015-40214	380' FNL & 150' FEL	A-1-19S-25E
Clydesdale 1 Fee Well No. 2H	30-015-39783	1040' FNL & 150' FEL	A-1-19S-25E
Clydesdale 1 Fee Well No. 3H	30-015-40123	1700' FNL & 150' FEL	H-1-19S-22SE
Clydesdale 1 Fee Well No. 4H	30-015-40131	2260' FNL & 150' FEL	H-1-19S-25E

(2) The commingled oil and gas production from the wells detailed above shall be measured and sold at the Clydesdale 1 Fee Well No. 1H central tank battery (CTB), located in Unit A of Section 1, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

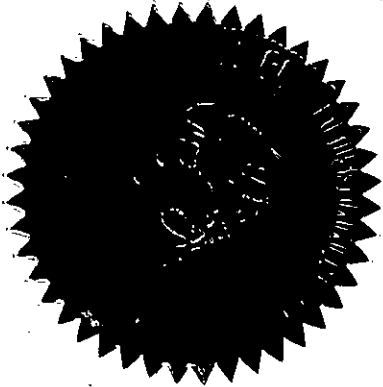
(3) Wells with common ownership shall be allowed to produce oil and gas using a unique test separator, but with metering prior to commingling into the tank battery.

(4) This installation shall be installed and operated in accordance with the applicable Division Rules. It is the responsibility of the operator to notify the transporter of this commingling authority.

(5) The operator shall notify the Artesia District office of the Division prior to implementation of the commingling operations.

(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JAMI BAILEY
Director